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IN THE

Supreme Court of the United States

OCTOBER TERM, 1988

COMMUNITY FOR CREATIVE NON-VIOLENCE, *et al.*,
Petitioners,

v.

JAMES EARL REID,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the District of Columbia Circuit

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BRIEF OF AMICUS CURIAE INTELLECTUAL PROPERTY OWNERS, INC. IN SUPPORT OF PETITIONERS

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BRIEF OF AMICUS CURIAE INTELLECTUAL PROPERTY OWNERS, INC. IN SUPPORT OF PETITIONERS

INTEREST OF AMICUS CURIAE

Intellectual Property Owners, Inc. (IPO) is a non-profit association incorporated in the District of Columbia. IPO's members own patents, copyrights, trademarks, trade secrets, and similar legal rights. IPO's members include U.S.-based manufacturers responsible for a significant portion of the research and development performed in the United States.

In order to recoup their investments in technological and creative works, IPO's members need laws that provide effective protection of intellectual property rights.[1] Protection for intellectual property is of major importance to the U.S. economy. Royalties and fees received by U.S. industry from international licensing transactions, for example, are $8.2 billion a year, which is more than six times the amount U.S. industry is paying to foreign firms in royalties and fees.[2]

Piracy and counterfeiting of intellectual property by domestic and foreign competitors is a major problem for innovative U.S. companies. U.S. firms may be losing as much as $43 to $61 billion a year because of inadequate protection of American intellectual property in foreign markets.[3] Losses by legitimate intellectual property owners to piratical copiers in the U.S. market also are substantial.[4] Industry groups that rely heavily on copyright law for protection from imitators include, among others, the computer and software industry, the entertainment industry, and the publishing industry.[5]

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[1] *See generally* Report of the President's Commission on Industrial Competitiveness, *Global Competition: The New Reality*, vol. II, at 306-51 (1985).

[2] U.S. Department of Commerce, *Survey of Current Business*, Table 10, Mar. 1988.

[3] U.S. International Trade Commission, Pub. No. 2065, *Foreign Protection of Intellectual Property Rights and the Effect on U.S. Industry and Trade*, App. H. (1988).

[4] Congress has enacted several laws recently designed to strengthen intellectual property protection in the United States. E.g., Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, §§ 1301 *et seq.*, 1341-42, 9001-07, and 9101; Trademark Law Revision Act of 1988, Pub. L. No. 100-667; Amendments to Bankruptcy Code, Pub. L. No. 100-506.

[5] *See* U.S. International Trade Commission, cited *supra* note 3, at 4-2 and 4-3.

The purpose of copyright law is to encourage creativity by providing protection against competitors who seek to take unfair advantage of the time, expense, effort and imagination of creators. Copyright law should provide incentives to independent creators and incentives to hiring parties who pay for creation of works.

It is to the advantage of an employer or other hiring party to have a work treated as a "work made for hire" under §§ 101 and 201(b) of the Copyright Act of 1976.[6] Although a hiring party may negotiate a contract requiring the hired party to transfer copyright ownership as a condition for creating the work, the hiring party can be left in an unfair position when the need for a contract is not understood or the contract is improperly drawn. In addition, works made for hire are exempt from § 203 of the Act, which allows an author to shorten the duration of copyright protection available to the hiring party by terminating a transfer of ownership or a license after 35 years.[7]

IPO respectfully urges that the court below misinterpreted the intent of Congress with respect to the provisions of the 1976 Copyright Act governing works made for hire, to the detriment of hiring parties.

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[6] Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (codified at 17 U.S.C. § 101 *et seq.*).

[7] Transfers of ownership and licenses may be terminated by an author notwithstanding an agreement to the contrary. 17 U.S.C. 203(a)(5). Copyright in works made for hire also differs from regular copyright in other ways. 1 M. Nimmer and D. Nimmer, Nimmer on Copyright, § 5.03[A] (1988).

SUMMARY OF ARGUMENT

The court below erred in adopting the "literal" interpretation of the work for hire provisions of the 1976 Copyright Act. Congress did not intend to change the 1909 Act to limit "employees" for purposes of the work for hire doctrine to those who qualify as employees under agency law. The House and Senate Committee reports suggest Congress did not intend to revise the work for hire doctrine radically.

The court below overlooked significant problems with the literal approach. Under the literal approach, when a hiring party lacks a contract requiring transfer of copyright ownership, the party is plunged into a morass of accounting to co-authors under rules governing joint authorship. The literal approach would cause an increase in litigation among joint authors. Even with a contract, an employer is left with a shorter term of copyright protection under the literal interpretation.

By discouraging hiring parties from engaging freelance creators, the literal interpretation would discourage investments in creative works. This would weaken the nation's industrial competitiveness.

By following the "control and supervision" interpretation of the Second and Seventh Circuits, the two paragraphs of § 101 of the 1976 Act can be reconciled without radically limiting the work for hire doctrine. The control and supervision interpretation reflects the intent of Congress and preserves incentives for investing in creative works.

ARGUMENT

I. The Court Below Misinterpreted the Works Made for Hire Provisions of the 1976 Copyright Act.

The court below concluded that the respondent, sculptor James Earl Reid, was not an "employee" of the petitioners, Community for Creative Non-Violence et al. (CCNV), for purposes of §§ 101 and 201(b) of the 1976 Copyright Act.

No one questions that CCNV would have been an "employer," and Reid an employee, under the work for hire provision in § 26 of the Copyright Act of 1909.[8] Even the opinion of the Fifth Circuit in *Easter Seals Society for Crippled Children and Adults of Louisiana, Inc. v. Playboy Enterprises*,[9] the principal precedent relied upon by the court below, concluded that under the 1909 Act "whenever one person bought authorship services from another, the seller was a copyright 'employee' and the buyer was a statutory 'author'." [10] Section 26 of the 1909 Act read as follows: ". . . the word 'author' shall include an employer in the case of works made for hire."

The court below considered three main interpretations of the work for hire provisions of §§ 101 and 201(b) of the Copyright Act of 1976: the "literal" interpretation, the "conservative" interpretation,[11] and the "control and supervision" interpretation applied by the Second and

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[8] Copyright Act of 1909, Pub. L. No. 1075, 60 Stat. 1075.

[9] 815 F.2d 323 (5th Cir. 1987), *cert. denied*, 108 S.Ct. 1280 (1988).

[10] *Id.* at 327.

[11] The Fifth Circuit noted (815 F.2d at 328 n.10) that the distinction it drew was similar to that proposed in O'Meara, *"Works Made For Hire" Under the Copyright Act of 1976—Two Interpretations*, 15 Creighton L. Rev. 523 (1982). O'Meara uses the term "radical" for the interpretation the Fifth Circuit designated "literal."

Seventh Circuits in *Aldon Accessories*[12] and *Evans Newton*.[13]

The court below opted for the literal interpretation. That interpretation uses agency law rules to determine the meaning of "employee" in § 101(1), and assumes § 101(2) covers only independent contractors who are not agency law employees under § 101(1). It sharply narrows the meaning given to "employer" and "employee" in cases decided under the 1909 Act.

We submit that the literal interpretation has no basis in the legislative history of the 1976 Act. Without evidence that Congress intended to change the meaning of the term "employer", the literal interpretation is not supportable. The House and Senate Committee reports[14] and the House-Senate conference report[15] contain no suggestion that Congress intended to revise the work for hire doctrine radically or that a change was being made in the definition of "employer".

The Fifth Circuit acknowledged difficulty in squaring the literal interpretation with § 201(b), which contains a broad reference to "the employer or other person for whom the work was prepared."[16] The committee reports

[12] *Aldon Accessories Ltd. v. Spiegel, Inc.*, 738 F.2d 548 (2d Cir. 1984), *cert. denied*, 469 U.S. 982 (1984).

[13] *Evans Newton, Inc. v. Chicago Systems Software*, 793 F.2d 889 (7th Cir. 1986), *cert. denied*, 107 S.Ct. 434 (1986).

[14] H.R. Rep. No. 1476, 94th Cong., 2d Sess. (1976), S. Rep. No. 473, 94th Cong., 1st Sess. (1975).

[15] H.R. Conf. Rep. No. 1733, 94th Cong., 2d Sess. (1976).

[16] § 201(b) reads as follows: "*Work made for Hire*—in the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright."

on the 1976 Act open the explanation of works for hire by stating:

> Section 201(b) of the bill adopts one of the basic principles of the present law: that in the case of works made for hire the *employer* is considered the author of the work and is regarded as the initial owner of copyright unless there has been an agreement otherwise (emphasis added).[17]

The committee reports barely mention works for hire in connection with § 203, even though works for hire were being exempt from § 203. If Congress intended major changes in the work for hire doctrine, surely it would have explained the changes when explaining the ramifications of § 203.

The court below believed works made by "regular or formal" employees are works made for hire without regard to the employer's exercise of control.[18] This is consistent with the literalist assumption that Congress in 1976 intended to wipe out judicial interpretations of scope of employment under the 1909 Act and start afresh. However, the court below overlooks significant problems with the literal approach. For example, under the 1909 Act courts recognized an exception to the work for hire doctrine for teachers and professors employed by academic institutions.[19] The Seventh Circuit observed in a recent opinion, "To a literalist of statutory interpretation, the conclusion that the Act abolished the exception may seem inescapable".[20] Surely Congress did not intend *sub silentio* to wipe out this aspect of case law under the 1909 Act.

[17] H.R. Rep. No. 1476, cited *supra* note 14, at 121; and S. Rep. No. 473, cited *supra* note 14, at 104.

[18] *Community for Creative Non-Violence v. Reid*, 846 F.2d 1485, 1490 n.6 (D.C. Cir. 1988).

[19] *Hays v. Sony Corp.*, 847 F.2d 412, 416 (7th Cir. 1988).

[20] *Id.* at 416.

We submit that the court below erred in relying on sources that are not persuasive—or even relevant—as to the intent of Congress. The court below was "particularly impressed by scholarly commentary on the legislative history of the 1976 Act . . . ."[21] Those commentators relied on recommendations made in reports written during the 1960's by the Register of Copyrights and private individuals and organizations. This "legislative history", however, supports the *Aldon Accessories* view that the relevant consideration is whether the hiring party had creative control.[22] In any event, legislation should be interpreted by relying on evidence of the understanding and intent of the legislators who voted on and approved the legislation.[23]

II. The Interpretation by the Court Below Weakens Incentives for Investing in Creative Works and Thereby Weakens the Nation's Industrial Competitiveness.

When a hiring party fails to obtain a contract requiring transfer of copyright ownership, the difficulty for the hiring party under the literal interpretation is illustrated by the opinion below. The court remanded the case for further proceedings to determine whether the statue is a *joint work* of CCNV and Reid.[24] In the absence of an agreement specifying otherwise, profits earned from a joint work are to be divided equally, even where it is clear that the contributions to the joint work are not equal.[25] One can qualify as a joint author with no more than a minimal contribution.[26]

[21] 846 F.2d at 1492.

[22] *See* Petition for Writ of Certiorari at 15-18, *Community for Creative Non-Violence v. Reid*, 846 F.2d 1485 (D.C. Cir. 1988) (No. 88-293), *cert. granted*.

[23] *See* N.J. Singer and C.D. Sands, Sutherland on Statutory Construction § 48.12 (4th ed. 1984).

[24] 846 F.2d at 1499.

[25] 846 F.2d at 1498, citing 1 M. Nimmer & D. Nimmer, Nimmer on Copyright § 6.08 at 6-20 (1988).

[26] 846 F.2d at 1495.

The literal interpretation undoubtedly would cause an increase in litigation among joint authors. Reid was assisted at various times by a dozen different people, all paid by him. It may be that the dozen employees of Reid and unnamed parties who created the steam grate, base and special-effects equipment on which the statue rested *all* would be joint authors with Reid and CCNV under the mistaken interpretation of the law adopted by the court below.

Even if an employer has a contract requiring transfer of copyright as a condition for paying for the creation of the work, the employer will have a shorter term of protection if the work is not "for hire". And when the author terminates transfer of copyright under § 203, the employer not only will lose exclusive rights in the work it paid to create, but may be blocked from using the work.

Under the literal interpretation, employers would be able to obtain complete copyright rights only when they utilized in-house or other kinds of traditional employment arrangements. Better results sometimes can be obtained by hiring free-lance creators. By discouraging hiring parties from engaging free-lance creators, the literal interpretation will discourage investments in creative works. This will weaken the nation's industrial competitiveness.

III. The Control and Supervision Test Adopted by the Second and Seventh Circuits Reflects the Intent of Congress and Preserves Incentives for Investing in Creative Works.

The control and supervision test adopted by the Second Circuit in *Aldon Accessories* and followed by the Seventh Circuit in *Evans Newton* is consistent with §§ 101 and 201(b) of the 1976 Act and the legislative history.

The House and Senate committee reports describe the work for hire provisions as a compromise,[27] but no more Congressional intent can be discerned which is relevant to the meaning of paragraph (1) of § 101. However, only with the control and supervision interpretation can paragraphs (1) and (2) of § 101 be reconciled without radically limiting the work for hire doctrine.[28]

Paragraph (1) makes the work a work for hire whenever it is made by an employee hired specifically to create copyrightable material, making the employee's work subject to the employer's control and supervision. Under paragraph (1), the presence or absence of a work for hire is governed by the relationship between the parties.

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[27] H.R. Rep. No. 1476, cited *supra* note 14, at 121; and S. Rep. No. 473, cited *supra* note 14, at 104.

[28] The work made for hire definition in § 101 of the 1976 Act is as follows:

A "work made for hire" is—

(1) a work prepared by an employee within the scope of his or her employment; or

(2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. For the purpose of this foregoing sentence, a "supplementary work" is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revision, commenting upon, or assisting in the use of the other work, such as forewords, afterwords, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes, and an "instructional text" is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities.

Paragraph (2) extends the work for hire doctrine beyond paragraph (1) for nine specific types of specially ordered or commissioned works. For the nine types of works, the parties can determine work for hire status by written agreement, whether or not control and supervision is present. The nine categories of works in paragraph (2) are ones for which Congress decided commissioning parties needed the ability to bargain for authorship rights irrespective of control and supervision.

The court below followed the reasoning of the Fifth Circuit in *Easter Seals Society*, which asserted four problems with the control and supervision rule. Our rebuttal to each is set forth below.

> (1) [T]he rule is unnecessary in cases where "work for hire" is raised by the defendant to question the validity of the plaintiff's copyright since any plaintiff who actually controls an independent contractor will be a co-author of the work;[29]

Rebuttal: A plaintiff who controls an independent contractor is not kept whole by being treated as a co-author of the work. A co-author lacks exclusive rights and owes an accounting to the other authors.

> (2) [I]t makes the outcome of "work for hire" analysis too fact-specific and therefore less predictable by buyers and sellers;[30]

Rebuttal: It is the "literal" interpretation followed by the court below that makes the outcome fact-specific and unpredictable; it plunges employers into the morass of accounting to co-authors. Any predictability achieved by the literal interpretation is at the expense of the rights of employers in works paid for and controlled by employers.

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[29] 815 F.2d at 334.

[30] *Id.*

(3) [I]t does not eliminate the need for a determination of employee versus independent contractor since the "actual control" test applies only to independent contractors; [31]

Rebuttal: The "literal" approach does not eliminate the need for determination of employees versus independent contractor either, and the literal approach leaves the courts with less flexibility to deal with special situations such as employed educators.[32]

(4) [I]t slides too easily into the vague and expansive "right to control" test, as . . . *Evans Newton* may portend.[33]

Rebuttal: There is no reason to believe courts will slide into a different test. The *Evans Newton* opinion reveals significant control by the hiring party over the computer programer who performed programming work and prepared documentation.[34]

The Second and Seventh Circuit interpretation adopted in *Aldon Accessories* and *Evans Newton* yields the result parties are likely to have intended. When a party pays for, controls, and supervises the creation of a work, the party will assume it owns all rights in the work in the absence of an agreement providing otherwise.

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[31] *Id.*

[32] *See supra* text accompanying note 19.

[33] *Id.*

[34] 793 F.2d at 891-2. Specialized terms and concepts that had been developed by the hiring party were incorporated into the project. The hiring party set up a schedule for the employee to begin working and required a demonstration of the final version of the program. *Evans Newton* illustrates the need for a practical work for hire doctrine. The hiring party's attempted written agreement for transfer of copyright apparently failed to protect against copying of the user's manual.

CONCLUSION

Intellectual Property Owners, Inc. urges the Court to reverse the ruling of the Court of Appeals for the District of Columbia Circuit that the work for hire doctrine is inapplicable to the dispute between CCNV and Reid.

Respectfully submitted,

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